

R E P O R T O F M E E T I N G

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BULK FUEL PURCHASING INVESTIGATING COMMITTEE

CO-OPERATIVE FEDERATION OF VICTORIA LTD.

held at

Morwell on Tuesday, 28th February 1984, commencing 12.30 p.m.

1. PRESENT

Mr. B. H. Macintosh
Mr. G. J. Simm
Mr. W. W. Rawlinson

In attendance:

Mr. T. D. Lawless

2. OBJECT

To prepare final recommendations to the Board, Co-operative Federation of Victoria on the feasibility and viability of implementing a service of fuel bulk purchasing for members as an additional revenue source for Federation funding.

3. CONSIDERATIONS

The Committee noted the results of studies to date:

- (1) Result of survey done in June 1983 indicating possible interest
in fuel take-off of 9.5 million litre super petrol
 2.1 million litre diesel
- (2) Two oil company quotations and conditions requiring
 - (a) The Federation to operate the central account and
be the sole debtor of the oil company for all
supplies delivered.
 - (b) Participating Co-operatives to own their own storage
and dispensing installations.

The Committee noted the recent transfer to the Federation of the secretariat and administration of The Victorian Trading Co-operative Association.

4. ADMINISTRATION OF SCHEME

The Committee considered the Board of the Federation would be unwise to commit the Federation to a trading exercise such as this but, if the proposal does proceed, considered it should be operated through The Victorian Trading Co-operative Association on behalf of the Federation.

5. ANALYSIS OF PROPOSALS

At 6/2/84 Shell quotation is

46.48 cents per litre Commercial Wholesale
42.7 cents per litre Retail Wholesale

on 21 day terms from delivery.

The attraction to members would be a price advantage to encourage their

- (a) possible change of suppliers
- (b) prompt payment
- (c) ownership of equipment

For such a scheme to be viable and attractive it was considered the Federation and the Co-operative should each expect to net .5 cents per litre.

Equipment costs to participants could vary from \$20,000 to \$50,000. Amortising this expense could cost 1 cent per litre depending on volume of take-off.

Reducing from, say present 30 day terms, to 14 day terms to enable C.F.V. to be paid and to pay oil company by due date would require additional capital of, say, \$20,000 per week for average take-off. At 13½% this could represent .25 cents per litre.

Therefore, potential participants would need to be offered a minimum price improvement on their present supplies of 2.25 cents per litre

i.e.	C.F.V.	.5
	Co-operative	.5
	Equipment	1.0
	Settlement Capital	.25
		<hr/>
		2.25
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At prices prevailing on 28/2/84 a net buying price of 41.7 cents per litre would need to be offered to potential users to encourage involvement.

The Committee considered the current climate does not indicate a major degree of competition amongst oil company distribution prices and a keenness for quotation at rates for group purchases better than rates currently being charged to many average users.

The Committee considered the financial liability which the Federation would incur in accepting responsibility for collection and settlement of monthly debts in the region of \$400,000 - \$500,000 (7 users @ \$75,000 per month) would be imprudent at this stage of the Federation's development.

6. RECOMMENDATIONS

The Committee recommends to the Board

- (1) That the Fuel Bulk Purchase proposal be discontinued at this point of time.
- (2) That in the event of changing circumstances to justify re-activation of the proposal it be referred to the Victorian Trading Co-operative Association for study and, if adopted, for administration.
- (3) That local Co-operatives liaise continuously with the possibility of two or three coming together for bulk purchasing through one of them, e.g.

Lakes Entrance Fishermen and Morwell.

B. H. MACINTOSH
Chairman.